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The Inevitable Doom of the Capitalist System As Seen from the Ever Deepening Economic Crisis

by

Nan Ching (南 景)

(Li-shih Yen-chiu /Historical Research/, No. 2, April 20, 1975)

Economic crisis is the inevitable product of the capitalist system. The capitalist world has for the past half century been constantly struck by thunderstorms of economic crises. One crisis follows another with growing vehemence....,

Marx pointed out profoundly: "That epoch (of capitalism) is marked in the annals of the world by the quick return, the widening compass, and the deadier effects of the social pest called a commercial and industrial crisis."* All through the historical process of capitalist development, the continual deepening of the crisis reflects more than anything else the general hisorical trend of capitalism falling into decay till its extinction, revealing the objective law that the capitalist system will inevitably be replaced by the socialist system.

The Cycle Makes a Spiral Dip

After capitalism develops to a certain stage, economic crises will occur periodically. "These crisis, like comets, appear again and again according to a rule."** But, the cyclic economic crises occurring in the different phases of capitalist development are no mere simple repetitions of the same phenomena but continue to deepen.

First, economic crises become more frequent, and the cycle gets shorter.

Dealing with the cycle of capitalist economic crises, Marx stated, "This figure can be changed, the cycle gradually getting shorter."*** The history of crises during the past hundred years has fully confirmed this scientific prediction by the teacher of revolution.

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* Marx, "Inaugural Address of the Working Men's International Association," Selected Works of Marx and Engels, Vol. II, p. 131.

** Engels, "Outline of the Critique of Political Economy," Complete Works of Marx and Engels, Vol. I, p. 614.

*** Marx, "Capital," Vol. I, Complete Works of Marx and Engels, Vol. XXIII, p. 695.

The first economic capitalist crisis broke out in England in 1825, followed by a second and third in 1836 and 1847. The crisis of 1857 was the first world economic crisis, followed by a succession of world economic crises in 1866, 1873, 1882 and 1890. Altogether eight crises erupted in the span of a little more than 70 years, averaging one every nine to ten years. After liberal capitalism entered upon the imperialist stage by the end of the 19th century and early 20th century, economic crises became more frequent. During the thirty or so years before World War II, there erupted successively in 1900, 1907, 1920, 1929 and 1937 five world economic crises, averaging one every seven or eight years. In nearly 30 years after World War II, the United States has already experienced five economic crises--the crises of 1948-49, 1953-54, 1957-58, 1960-61 and 1969-70. Japan experienced six, Britain five, West Germany four and France three. Soviet revisionist social-imperialism has also found itself in serious political and economic predicaments ever since the restoration of capitalism. Since the end of 1973, the capitalist world has again witnessed the outbreak of the gravest world economic crisis since the War, a crisis that is still developing. Crises since the War have become more frequent with shorter cycles, averaging once every four to five years.

Second, during the cycle of capitalist re-production, there is a tendency for the stages of crises and depression to last longer, while those of recovery and boom are correspondingly shortened.

During the 19th century, a crisis usually lasted a few months or no more than one or two years at most. After the monopoly stage was reached, the crisis and depression periods were gradually lengthened while the recovery and boom periods were gradually shortened. The 1900 crisis marked the turning point of the transition of capitalism from free competition to monopoly. Not only did it last for as long as two to two and a half years, but the depression that followed also lasted longer, and it was not until 1904 that recovery and the boom began. However, by 1907, another crisis erupted. The 1929-33 crisis was even more notable, lasting for four years followed by severe depression. Scarcely had recovery begun than the 1937-38 crisis cut short the stage of prosperity. After World War II, the periods of crisis and depression tended to be extended. After a crisis passed, production did not pick up, and sometimes scarcely had a new boom been formed after a crisis than another crisis set in. For example, what followed the post-war 1957-58 world crisis was not an obvious boom in the US, British and other countries' economies but the outbreak of the 1960-61 crisis. The current capitalist economic crisis broke out also at a time when the United States had just recovered from its 5th post-war crisis of 1969-70 and was about to gear itself for an upturn.

Third, as the economic crises get deeper, their disruptive effects on production become all the more serious.

In the 19th century, the lowest point of the industrial output decline during every crisis was generally higher than the highest point of the upswing of the previous cycle. In the imperialist stage, judged from

some vital sectors where the monopoly organization held the ruling position, the "lowest point" during a crisis was generally lower than the highest point of the boom period of the previous cycle. For example, during the 1929-33 crisis, industrial output of the entire capitalist world fell by 36.2 percent, about back to the 1908-09 level. In this connection, Germany's industrial production fell by 46.7 percent, about back to the 1896 level, while the United States saw a drop of 46.2 percent, about the 1905-06 level, The destruction of production by this crisis was even more shocking. In the United States, Britain and Germany, some 110 blast furnaces were dismantled, 1.60 million freight wagons of grain were burned, several million head of livestock were slaughtered and thrown into the river, and entire shiploads of fruit and coffee were dumped into the sea. At that time, the unemployed in the various capitalist countries exceeded 30 million. In the United States alone, the unemployed and semi-unemployed numbered 17 million, with the rate of unemployment standing as high as over 30 percent. Crises seriously hindered the development of the productive forces in capitalist society. As Lenin said, capitalist production was production of "two steps forward and one step backward or at times even two steps backward."*

After World War II, due to the increasing reliance the various major capitalist countries have placed on "anti-crisis" measures of state monopoly capitalism to stimulate the economy artificially, serious under-production and a high rate of unemployment have become increasingly regular phenomena, an important indication of just how grave post-war crises have become. Take the United States for instance. One-fifth of the production equipment in its manufacturing industry constantly lies idle at present. In the case of the Soviet revisionists, the rate of equipment utilization is even lower. In 1971, the rate of equipment utilization in many enterprises was only 25-30 percent of their designed capacity. In the metallurgical, fuel, chemical and light industrial sectors, some 70 percent of the enterprises operated under capacity. After the War, the margin of decline in industrial production in the major capitalist countries during times of crises was not as large as that before the War, mainly because these countries energetically pushed capitalist measures of state monopoly, thus covering up the contradictions inherent in the process of reproduction. Actually, the crisis was more profound. Take the latest crisis for example. The extent of the fall in industrial production of the United States as a whole should not be considered very serious, and this is because during the crisis production in sectors related to arms production and space exploration is still growing, thereby affecting the fall in the overall index of industrial production. In reality, there has been a big drop in production in the construction and auto industries. The same is true of unemployment figures. At present, a sizable part of the working force is maintained by government spending. Up to June 1974, employees of the United States Government numbered 14,240,000, and adding men in active service the total number would reach 16,440,000, accounting

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* Lenin, "The Lesson of the Crisis, " Complete Works of Lenin, Vol. V, p. 72.

for 20 percent of the nation's employed. If the US Government should cut its spending to pre-war levels, there is no doubt that the US unemployment figures would jump to the level of the 1929-33 crisis.

Fourth, the effects of economic crises are widening, and the development in combination of the industrial, agricultural, monetary and financial crises is creating an increasingly serious situation.

In the first half of the 19th century, crises occurred mainly in consumer industries. It was only after the 1870's that crises began reflecting themselves quite drastically in such capital goods industries as coal and iron smelting. Since then there also occurred in Europe an agricultural crisis that lasted for as long as 20 years. After capitalism entered upon the imperialist stage, more countries and economical departments were attacked by crises than in the various crises of the 19th century. After World War I, there appeared a situation in which a prolonged agricultural crsis found itself tied to a profound industrial crisis. In particular, the storm of the 1929-33 crisis swept across all capitalist countries, involving the imperialist countries and the colonial and semi-colonial countries, capital and consumer goods industries, internal commerce and foreign trade, public utilities and financial institutions, etc. Serious blows were dealt to the economy of the entire capitalist world. After World War II, the capitalist world has experienced two world economic crises, that is, the 1957-58 crisis and the current crisis. Since 1948, the capitalist world has also found itself beset by a succession of agricultural crises, thus further sharpening the industrial crises. Since the War, especially since the 1970's, the various major capitalist countries have enlarged their government expenditures, militarized their national economies and expanded credit as important means of stimulating the economy. As a result, periodical over-production crises have broken out to the accompaniment of inflation and monetary and financial crises, indicating that the capitalist economy is beyond cure.

In a word, in the course of capitalist development, crises have become ever more frequent as the cycles get shorter, with one crisis deeper and more extensive than the previous one. This historical trend is just as Engels pointed out: "This cycle is gradually contracting, moving in spirals and ending like the planets on collision with the center."* Facts of historical development have fully proved that capitalism is moving along this track toward its collapse and will finally perish.

Gradual Intensification of Contradictions at Various Stages

The root causes of capitalist economic crises lie in the contradiction between the socialization of production and capitalist private ownership.

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* Engels, "Anti-Dühring," Selected Works of Marx and Engels, Vol. III, p. 314.

This basic contradiction is manifested as a contradiction between organized production in individual enterprises and the state of anarchy in production in society as a whole, as a contradiction between the tremendous growth in capitalist productive capacity and the relative contraction in the ability of millions and millions of laboring masses to pay. In the entire historical process of capitalist development, this "basic contradiction gradually intensifies during the various stages of its long process."* Such is the basic reason behind the incessant deepening of economic crises.

During the stage of capitalist free competition, the relentless greed of capitalists for surplus value and the cut-throat competition between them forced them to increase capital formation on a large scale, to continue improving their machinery and equipment, and to expand production blindly. But the growth of capital is bound to bring about the accumulation of poverty. Under the ruthless exploitation of the capitalists, the living standard of the workers "has not risen in step with the industrial progress but gradually falls below the conditions of subsistence of their own class."** This necessarily restricted the demand of the laboring masses with the ability to pay to a minimum. And when the contradiction between blind expansion of production and the relative contraction of the market built up to a certain point, the outbreak of economic crises became inevitable.

Take the first world crisis of 1857 for example. At that time, the capitalist mode of production was already dominant on the European and American continents. The development of capitalist big industry accelerated the disintegration of the rural natural economy and led to the expansion of the domestic commodity market. Railway construction created an upsurge in industrial investments. "The need to increase sales continuously drives the capitalists to travel all over the globe."*** The seizure and plunder of colonies overseas provided the suzerain state with cheap raw materials and a market for the development of the capitalist industry. The discovery of large gold mines in California and Australia also created great demands for all kinds of commodities. The establishment of joint-stock companies and the expansion of the credit system spurred the dynamic growth of industrial capital as the development of capitalist productive forces was vigorously promoted. In the ten years of the 1850's, the national wealth, fixed capital and output value of the processing industry of the United States were more than double, the total length of railways was thrice as much and foreign trade rose by 150 percent. In Germany, a total of 259 factories and mines were built in

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* Mao Tsetung, "On Contradiction," Selected Works of Mao Tsetung, p. 289

** Marx and Engels, "Communist Manifesto."

*** Ibid.

those ten years, with capital amounting to 260 million marks. However, the expansion of capitalist large-scale industry caused a steep increase in the number of unemployed workers. In 1851, the unemployment rate among members of trade unions in the British machine-building and ship-building industries was 3.9 percent, but by 1857 it had grown to 6.1 percent. The fact that large numbers of workers were suffering from cold and hunger greatly reduced the domestic consumer market and caused serious over-production. In New York at that time, 75 percent of the imported goods had to be stored away in warehouses simply because they could not be disposed of. The ever intensifying contradiction between production and market eventually resulted in the first world crisis in 1857.

At the turn of the 20th century, capitalism had completed its transition from free competition to monopoly, thereby greatly deepening its basic contradiction. Monopoly so far from eliminating competition, sharpened it to the extent of causing dislocation between various sectors. What monopoly capital was after was no longer just average profit but super-profit. So, the capitalists naturally had to increase their capital accumulation and expand the scale of production in order to bring about a high level of socialization of production. On the other hand, through a close network of finance capital, they collected contributions from all of society, thereby intensifying exploitation and plunder of the working class and other middle and small producers and further deepening the impoverishment of the laboring people. At the same time, at the monopoly stage, it was much more difficult to secure internal and external markets than during the period of capitalist free competition. Monopolist pricing made it harder for capitalists to dispose of their accumulated stocks. Under monopoly capitalism, the proportion of organic composition of capital was greatly raised while that of variable capital was correspondingly reduced, resulting in much higher unemployment and a serious contraction of the domestic consumer market. As regards foreign markets, ruthless plunder by imperialism of colonial and semi-colonial countries greatly restricted the growth in the market capacity of these countries. As the world had already been divided, the struggle between imperialist countries for the redivision of investment areas, raw material producing regions and commodity markets became ever more violent, and tended to sharpen the problem of foreign markets. Consequently, at the monopoly stage, with the contradiction between the blind growth of capitalist production and the relative contraction of the domestic and foreign markets assuming new dimensions, crises became more frequent and profound.

Capitalists and revisionists have gone all out to publicize "organized capitalism," asserting nonsensically that the existence of monopoly organization was enough to eliminate crises. They regarded the relatively stable period of capitalism in the 1920's as capitalist "permanent prosperity." But the history of crises during the monopoly period shows that the relative "stability" of the 1920's conceived the most acute contradiction of monopoly capitalism which led to the unprecedented crisis of the 1930's. Take, for example, the United States with its most developed monopoly organization. It made massive investments with the huge profits gained during the First World War, and after the war adopted the so-called "capitalist rationalization" measures to intensify

the exploitation of the workers, resulting in a rapid rise of production. By the late 1920's, US industry had grown by many times, making up almost half of what the capitalist world produced. However, on the other hand, as a result of stepped-up exploitation by monopoly capital, large numbers of people were constantly out of work, and the unemployed reserve army became an unemployed standing army. By then, frequent occurrences of under-capacity production also became a phenomenon never witnessed before. And the large amounts of consumer credit rapidly increased the indebtedness of the citizens, while the prolonged farm crisis further reduced the domestic consumer market. It was precisely under these conditions that the gravest economic crisis ever to rock the capitalist world broke out in the 1930's, declaring bankrupt the myth of capitalist "permanent prosperity."

After World War II, monopoly capital in the various major capitalist countries was further strengthened and state monopoly capitalism was developed to a greater extent, thereby sharpening the competition between monopoly groups. Competition obliged monopoly capital in various countries to continue improving the production technology, greatly accelerating investments in fixed capital and resulting in blind expansion of production capacity and serious over-production. Take US fixed capital investments for example. In 1946 they amounted to US$14.9 billion; during the 1950's they averaged US$29.6 billion a year, an average annual growth of 2.4 percent; from 1970 to 1973 they rose to as much as US$87.3 billion a year, an average annual growth of 6.9 percent. The drastic increase in fixed capital resulted in serious excesses in production capacity, marked by the declining trend in the operational rate of industry. The US manufacturing industry operated on the average at 87 percent of capacity during the 1950's; in the 1960's this rate sank to 84 percent, and in the first three years of the 1970's, it dropped to below 80 percent. On the other hand, because monopoly capitalists of various countries since the War stepped up their exploitation and oppression of the working class and laboring people, the laboring masses in capitalist countries were increasingly impoverished. The various measures adopted by state monopoly capitalism rapidly increased the tax burden and indebtedness of the laboring people while reducing their purchasing power. For example, the average tax paid by each American was US$371 in 1950 and rose to US$1,680 in 1972, an increase of 350 percent. According to the estimate by the American economist Baldin, the huge military expenditures of the Pentagon alone would reduce home consumption in the United States by about 15 percent every year. Besides, the drastic increase in consumer credit caused the laboring people to incur heavier debts. By the end of 1973, total private debts in the United States had already reached US$821.3 billion, equivalent to 93 percent of total annual take-home pay, compared with 65 percent in 1955. For this reason, the contradiction between the blind growth of production and the relative shrinkage of the domestic market in capitalist countries since the War has become still more acute.

Since the War capitalist countries have also been confronted with an unstable, ever shrinking international market. Successful revolutions in China and in other countries, coupled with the further disintegration of

the imperialist colonial system, have considerably reduced the size of the capitalist world market. Especially, the emergence after the war of the Third World's struggle against imperialist political oppression and economic plunder has greatly reduced the foreign markets of imperialism and social-imperialism, causing them to run into grave difficulties. Meanwhile, imbalanced political and economical development of capitalist countries after the War was further accentuated. Following the recovery of the economic strength of Western Europe and Japan, the hegemonic position of the United States in the world market rapidly declined. After the 1960's, the United States has been engaged in fierce trade and monetary wars with the Western European "Common Market" and Japan, wars that are growing more and more intense. Ever since the Soviet revisionists joined the imperialist ranks and have frenziedly carried out expansion and plunder abroad, the scramble for the shrunken capitalist market has become still more acute. In recent years, the Soviet revisionists, under the signboard of "all-European economic cooperation," have been stepping up their contention with the US imperialists for the control of Western Europe. The contention between the two superpowers in the Third World is even more violent. All this is bound to further sharpen the contradictions of the capitalist world fighting for foreign markets.

It can be seen from this that the ever intensifying basic contradictions of capitalism during its various phases of development has resulted in economic crises becoming more frequent and far-reaching. This historical fact shows that "capitalist relations have become so narrow that they can no longer accommodate the wealth they themselves create."*

Death-Bed Struggle, Sinking Deeper into the Quagmire

Economic crisis is an incurable disease of the capitalist system. But the bourgeoisie is irreconciled to defeat. As capitalism continues to decay and economic crises continue to deepen, capitalists will wage a last-ditch struggle by all possible means in a vain attempt to free themselves from crises.

During the capitalist period of free competition, the bourgeoisie relied mainly on the spontaneous regulating role of the capitalist economic laws to rid itself of economic crises, namely, to seek a temporary solution to the contradiction between production and market through the disruption of production by the crisis. When capitalism was in its ascending stage, both domestic and foreign markets still left room for expansion and the bourgeoisie still found it relatively easy to tide over the crisis. Therefore, generally speaking, most of the capitalist countries at that time adopted a policy of "laissez faire," and refrained from directly intervening in the economy.

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* Marx and Engels, "Communist Manifesto."

With the arrival of the imperialist stage, the basic contradictions of capitalism were greatly intensified, the problem of market was made more acute, and economic crises also became more and more profound. Particularly, the economic crisis of 1929-33 which engulfed the entire capitalist world rocked capitalist rule to its very foundations. Under this situation, the need became more and more pressing for monopoly capitalists to use the state apparatus for direct economic intervention in an attempt to "cure" the crisis. In the early 1930's, Germany, Italy and Japan successively set up an open fascist dictatorship, adopted military state monopoly capitalism, and quickly shifted the entire national economy onto the track of militarization. In the United States, 1933 saw Roosevelt begin the so-called "new deal" to cope with the grave crisis through state measures to "regulate" the economy, such as by undertaking public works, issuing farm subsidies and boosting consumption. Although different in form, all these measures were essentially designed to prevent crises through direct state economic intervention so as to save the tottering capitalist system. The notorious Keynesian theory was released under such historical conditions. It called on the bourgeois states to adopt deficit financing and inflationary policies to intensify the exploitation and plunder of the laboring people and to shift the burden of the crisis onto them so that the monopoly bourgeoisie would be able to secure greater profits. For this, it was relished and fanatically applauded by the monopoly bourgeoisie.

After World War II, as economic crises have become more frequent and profound, the various major capitalist countries have been more inclined to seek the help of the Keynesian theory and pushed a whole set of "anti-crisis" measures of state monopoly capitalism in a way unwitnessed before. For example, spending by the US government (including state and local governments) accounted for about 12 percent of the gross national income in 1929, but by 1973, it was already as high as 39 percent. In the 29 years after the War, the United States experienced deficits in 20 of its fiscal years. Fiscal deficits of the various countries have been equally alarming all these years. In 1973, as compared with 1960, US national debts rose by 66 percent, West Germany, 170 percent and Britain, 51 percent. In the same period, money supply in the various countries grew by 184 percent in the United States, 851 percent in Japan, 388 percent in West Germany, 437 percent in France, 219 percent in Britain. These indexes greatly exceeded the rate of output growth. This shows that after the War, the economies of the capitalist countries could not have survived but for the stimulants provided by state fiscal and financial strength.

It should be stressed that militarization of the national economy has played an increasingly important role among the "anti-crisis" measures devised after the War. Lenin pointed out that imperialism, "because of its basic economic characteristics, finds peace and freedom most repugnant and develops militarism everywhere."* Militarization of national economy since

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* Lenin, "The Proletarian Revolution and the Renegade Kautsky," Collected Works of Lenin, Vol. XXVIII, p. 221.

the war has been one of the most important means for the United States to contend for world hegemony and free itself from crises. In 1939, US direct military spending accounted for 15.5 percent of Federal government outlays or 1.6 percent of the gross national product; by 1972, it rose to 35.2 percent and 7.2 percent respectively. From 1939 to 1972, US GNP grew 11.5 times, but military purchases by the Federal government rose 62.3 times. At present, one-fifth of the American labor force and one-third of its scientists and technicians are devoted to war production. This shows the serious dependence of the various sectors of the US economy on military production in the post-war era. The Soviet revisionists' gross national product is half that of the US, but their military spending is generally equal to that of the US. At present, the Soviet revisionists' military spending amounts to about one-third of the total annual budgetary expenditures or about 20 percent of the national income. This shows that militarization of the national economy by the Soviet revisionists assumes more serious proportions than that of the United States.

These "anti-crisis" measures pushed by the capitalist countries to artificially stimulate investment and consumption, while having the effect of delaying and mitigating crises within a certain period of time, have nevertheless greatly sharpened the contradiction between the blind expansion of production and the relative decline in the purchasing power of the laboring people. For example, increasing fiscal deficits to stimulate social demand is actually intended to boost the income of monopoly capitalists by reducing the income of the laboring people; providing monopoly capital with fund sources by means of inflation results in soaring prices and lower real income of the laboring people; advancing social purchasing power with consumer credit will inevitably lead to greater indebtedness of the laboring masses and eventual reduction of the purchasing power for the domestic consumer market. So it is that anti-crisis measures by state monopoly capitalism are bound to deepen the basic contradictions of capitalism, creating the conditions for sharper and more profound crises in the future. As Marx and Engels pointed out long ago: "These are measures that prepare the bourgeoisie for more general and violent crises, measures that will only reduce the means to prevent crises."*

But that is not all. In vigorously pushing these "anti-crisis" measures, the monopoly bourgeoisie has also gone to its opposite, making the moribund capitalist economy suffer from a serious complication. In recent years, as the fiscal deficits and money supply have grown by a large margin in the capitalist countries, inflation has become more and more rampant. In 1974, in most of these countries commodity prices have risen by two percentage points, gradually exceeding the scope that can be controlled by the monopoly bourgeoisie. At the same time, US dollar crises have become frequent, the post-war monetary system based on the US dollar has finally disintegrated, and monetary and financial crises have sharpened with each passing day. The monopoly bourgeoisie originally intended to use

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* Marx and Engels, "Communist Manifesto."

deficit financing and credit expansion as "anti-crisis" medicine, but now, this "medicine" has turned out to be poison. The evil results caused by a combination of over-production crises and "anti-crisis" measures -- serious inflation coupled with monetary and financial crises, have confronted the ruling circles of the capitalist countries with a maze of contradictions and dilemmas, with the result that the monopoly bourgeoisie is dreaming that there would appear a "contemporary Keynes." Doesn't this show the total bankruptcy of the Keynesian theory?

Flowers fall off, come what may. Historical development has eloquently proved that the capitalist system is "like the sun setting over the western hills, a patient having his last breath." No matter how desperately the bourgeoisie struggles in its deathbed, there is no prescription to cure the incurable capitalist system. "The socialist system will eventually replace the capitalist system; this is an objective law independent of man's will. However much the reactionaries try to hold back the wheel of history, sooner or later revolution will take place and will inevitably triumph."*

Factors of Revolution and War Are Growing

In the history of capitalism, economic crises often led to revolution, to war. For instance, the economic crisis of 1847 was an important cause for the European revolution of 1848-49. Summing up the relations between the 1847 crisis and the 1848 revolution, Marx had this to say: "A new revolution is possible only after a new crisis. But the coming of the new revolution, like that of the new crisis, is inevitable."** At the imperialist stage, economic crises bear a very close relationship with war and revolution. Both World Wars broke out under the situation where an economic crisis had erupted or was about to erupt, with the imperialist countries fighting for spheres of influence and the redivision of the world so as to free themselves from the economic crisis. As Chairman Mao pointed out: "The imperialist world war broke out because the various imperialist countries attempted to extricate themselves from new economic and political crises."***

At present, the capitalist world is being confronted with the most serious economic crisis since the War, and all basic contradictions in the world are further intensifying. "The great disorder under heaven"

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* Mao Tse-tung, "Speech at the Meeting of the Supreme Soviet of the USSR in Celebration of the 40th Anniversary of the Great October Socialist Revolution"

** Marx, "The Class Struggle in France, 1848-1850," Selected Works of Marx and Engels, Vol. I, p. 488.

*** Mao Tse-tung, "The Present Situation and the Party's Tasks," Selected Works of Mao Tse-tung, p. 578.

is getting greater. On the one hand, the two superpowers in their bid to rid themselves of political and economic crises, are contending with each other more violently, breaking the peace the world over. On the other hand, the struggle between aggression and counter-aggression, between oppression and counter-oppression, between plunder and counter-plunder, and between the attempt to shift the crisis onto others and the effort to thwart such attempt is developing in greater depth, and the people are awakening amid turmoil. The factors of both revolution and war are growing.

"Historical experience merits attention." The current situation reminds one of the 1930's in many ways. At that time, with the economic crisis overshadowing the capitalist world, diplomats of imperialist countries bustled about like low flying swallows in the dusk, chanting the "peace" scripture everywhere. A "Disarmament Conference" was convened at Geneva, but the result was World War II. Now, the two superpowers are energetically talking about "detente," "a generation of peace," and hoodwinking people with such tricks as "summit conferences" and "disarmament talks." Actually, the more they talk, the greater the effort they make to step up the arms race and create tension everywhere, eager to devour the world with one gulp. Lenin once stated: "'World hegemony' is part of imperialist policy, and the continuation of this policy is imperialist war."* The violent contention between the Soviet Union and the United States, the two superpowers, for hegemony will lead to world war one day. At present, Soviet revisionist social-imperialism is even more adventuristic.

At present, the economic crisis and the political crisis of the capitalist world are aggravating each other. Strong winds foretell the coming storm. The revolutionary factors of the world's people are also growing. With the Third World as the main force, the struggle against imperialism, colonialism and hegemonism is slashing powerfully at the whole capitalist world. The Third World countries have begun to stand up not only politically but also economically. They are waging a powerful struggle against plunder and exploitation by the imperialists, the superpowers and for shattering the old international economic order and building new international economic relations. With the deepening of the economic crisis, the major capitalist countries are in political turmoil, and the struggle for the right to exist by the laboring people is surging forward. The struggle waged by the broad masses of Soviet toilers against the Soviet revisionist renegade clique is developing every day. "Crisis is one of the most powerful levers of political change."** With the intensification of all contradictions of the world, sooner or later revolution will take place and will inevitably triumph.

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* Lenin, "A Caricature of Marxism and 'Imperialist Economism,'" Complete Works of Lenin, Vol. XXIII, pp. 26-27.

** "Letter from Engels to Edward Bernstein," Complete Works of Marx and Engels," Vol. XXXV, p. 258.

Whether war leads revolution or revolution prevents war, the prospects of the world are always bright. This is an historical law, and any attempt on the part of imperialism and social-imperialism to use war as a means of freeing themselves from economic and political crises will only mean that they lift a rock only to drop it at their own feet and the result will be to hasten the advent of the revolutionary storm. The First World War brought about the victory of the great October Socialist Revolution; the Second World War brought about the great revolutionary victories of China and other socialist countries. If imperialism and social-imperialist insist on launching a third world war, "it is certain that several hundred million more will turn to socialism, and then there will not be much more room left on earth for the imperialists; it is also likely that the whole structure of imperialism will utterly collapse."*

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* Mao Tse-tung, "On the Correct Handling of Contradictions Among the People," Selected Readings from the Works of Mao Tse-tung (Edition A), p. 489.

The Capitalist World Economic Crisis, 1929-33

by

Tzu Yü (子 愚) and Wei Min (为 民)

(Li-shih Yen-chiu /Historical Research/, No. 1, February 20, 1975)

At present, the capitalist world is faced with the most severe economic crisis since the War, and many people in the West are worried that it may develop into something like the great crisis of 1929-33.

The crisis of 1929-33 was "the worst of all crises"* up to then, the longest in duration and unprecedented in its power of destruction. It caused the United States losses amounting to US$300 billion in production, as much as what it had lost in materials during World War II. The crisis engulfed the whole capitalist world with far-reaching political and economic repercussions.

Mirage of "Permanent Prosperity"

In 1922, capitalism, having survived the revolutionary offensive launched by the revolutionary masses after the close of World War I, entered a period of transient partial "stability." The economic crisis of 1920-21 began to give way to recovery in 1926, and the upturn was started in 1927 when industrial production of the various capitalist countries surpassed its pre-war levels.

The development of capitalism after the War was extremely uneven. Among the major capitalist countries, only the United States and France experienced real upsurges; in Germany the upswing was not noticeable, and British industry had not yet climbed back to its pre-war level.

American industry gained momentum as it profited greatly from the War. From 1913 to 1929 its output grew by 72.5 percent. In 1928, the gross output of the United States had already surpassed that of all Europe.

The production upsurge and credit expansion reacted on each other. In the eight years between 1923 and 1929, the United States issued as much as $49 billion worth of marketable securities, of which $18 billion was issued in 1928-29 alone. Unprecedented speculations on the stock exchange caused share prices to rocket. The average share price on the New York Stock Exchange was merely $98 in early 1923, shot up to $306 in early 1929 and reached its peak in September of the

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* Stalin, "Report to the 17th Party Congress on the Work of the Central Committee of the CPSU (B)," Complete Works of Stalin, Vol. XIII, p. 253.

same year -- $365. At that time, stock purchases required only a deposit of ten percent, and those who joined in speculation bought on margin, with two-thirds of transactions conducted on the basis of bank credit. Share speculations assumed flood proportions and dominated daily conversation as well as newspaper columns. The speculative fever in shares encouraged a false sense of prosperity.

In speculative activities, speculations in real estate were equally feverish. Stimulated by these activities, the number of houses built continued to increase, and this had a stimulating effect on industrial sectors related to basic construction, such as steel, lumber and mining.

In these frantic years, the bourgeoisie drummed up the fantasy of "permanent prosperity." All the enemies of the working class, from the most reactionary politician, American President Hoover, to the Right-wing social-democrats and the Trotsky and Bukharin counter-revolutionary groups, joined this chorus.

US President Hoover in his inauguration speech in April 1929 promised the elimination of poverty, saying that he would see to it that every American worker had a chicken in his pot and every garage had a car.

The American opportunist Lovestone went all out to advocate the "America is the exception" theory, asserting that capitalism in the United States was different from that of other countries in that it was not subject to capitalist economic laws and would not give rise to crises.

The German Social-democrat Hilferding said at that Party's national congress held at Kiel in 1927: "The capitalist period in which we now live has basically overcome the defects prevalent in the era of free competition, and overcome the rule by blind market forces. We are heading toward an organized capitalist economy." This view was supported by Kautsky. They held that Bernstein's dream about capitalism turning into "socialism" had been realized in the United States.

The Trotsky and Bukharin groups, taking the counter-revolutionary road, also insisted that the capitalist world had undoubtedly been "stabilized" and was becoming "organized."

As a matter of fact, the partial "stability" of capitalism could only be temporary, and "permanent prosperity" was no more than a castle in the air. Behind the false impression of prosperity loomed contradictions which were being intensified year after year.

If only we analyze the factors of American post-war "prosperity," we see the contradictions clearly. The basis of American "prosperity" was the system of industrial "rationalization," which also served as a means by which to step up the exploitation of the workers. The capitalists, hanging the signboard of higher industrial efficiency, caused the workers' working conditions and living standards to deteriorate further.

The "rationalization" system brought about the closure of many outdated enterprises and an increase in unemployment so that the capitalists might hold down wage levels during a period of industrial upswing.

The extensive application of installment payments for purchases had a stimulating effect on the growth of production. In the United States, installment payments accounted for over one-sixth of the total volume of sales in 1926. At a time when the market was most active, such outstanding credits amounted to $6 billion. Over half of the new cars and trucks were sold at that time on an installment payment basis. This installment payment system created huge private debts. American private debts rose by about 60 percent between 1920 and 1929, from $105.8 billion to $160.4 billion. Although the installment payment system gave a temporary boost to commodity sales and exerted a definite stimulating effect on production, it caused the laboring people to plunge into a pit of debts from which they could not extricate themselves and to bear a heavy interest burden. Consequently, social purchasing power declined, the advent of the economic crisis was hastened and its severity sharpened.

The "rationalization" movement in industry and the expansion of such new industries as those related to automobiles and luxuries also strengthened the trend toward capital accumulation and concentration during the whole period of "prosperity." Medium-sized and small enterprises, small independent producers and small businessmen were generally driven out of existence or taken over. In 1927, 0.2 percent of American companies took in nearly 70 percent of all the profits for all companies in the nation, while 99.8 percent of the companies had to be content with the remaining profits.

The United States also took advantage of the favorable position it acquired through the First World War to boost both capital and commodity exports to capture foreign markets. By 1926, US foreign investments had reached $13 billion, and the outflow of private capital exceeded $1 billion annually. US foreign trade rose by 110 percent from 1913 to 1929.

The facts shown above indicate that during the period of relative "stability" and behind the "prosperity" of capitalism, the contradiction between the trend toward unlimited expansion of capitalist production and the relative contraction of the laboring people's purchasing power was being sharpened every day. The whole capitalist world was like an over-inflated balloon ready to burst any time.

While capitalism was still in its period of relative "stability," Marxists had foreseen the inevitable outbreak of new economic crises. In December 1927, Stalin pointed out emphatically: "Amid stability grows the capitalist crisis."* History has fully borne out Stalin's prediction.

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* Stalin, "Political Report of the Central Committee to the 15th Congress of the CPSU (B)," Complete Works of Stalin, Vol. X, p. 235.

The Big Crash

The outbreak of the deepest and most drastic crisis of world capitalism in October 1929 punctured the balloon of the capitalist world's "permanent prosperity," putting an end to the relative "stability" of capitalism.

The crisis appeared first in the United States -- the most developed capitalist country. US industrial production having reached its peak in June 1929, the index industrial output began to fall rapidly in October, with the market gradually going downhill. On October 20, the New York Stock Exchange collapsed. Particularly on October 23, 28 and 29, following a succession of big bankruptcies, stock prices plunged. In these panicky days, the quotation of blue chips fell 40-60 percent. Wealthy shareholders found themselves totally broke one morning. Many capitalists killed themselves by jumping from tall buildings.

The stock market collapse rocked all other capitalist countries. Stock markets in Britain, Germany, France and other countries collapsed one after another.

The stock market collapse in the fall of 1929 was the signal of a deepening crisis of over-production, and from that time on, production in all capitalist countries continued to decline, accompanied by shrinking commerce and incessant growth of unemployment. Not until late in the year of 1933 did the capitalist world begin to embark on the depression stage from that crisis. However, this was "a different depression" for it did not lead to a new upturn in industry.

The 1929-33 crisis was the deepest crisis capitalism had ever experienced in history.

The extent of the fall in industrial production was without precedent. By 1932, production of the entire capitalist world had fallen 36.2 percent from 1929. The United States and Germany suffered the most, their production falling by 46.2 percent and 46.7 percent respectively. In France, production fell 30 percent, while in Britain, already stagnant for many years, production fell further by 16.5 percent. As viewed from specific production sectors, US coal output fell by 40.9 percent, steel by 75.8 percent and the index of completed construction contracts fell by 81.5 percent. The British shipbuilding industry fell as much as 91 percent. Virtually certain production sectors came to a complete standstill.

Real trade volume of international trade dropped for the first time in history. Total trade transactions of the capitalist world in 1933 fell two-thirds from 1929, and allowing for reduced prices, the actual trade volume fell by more than one-third. Hardest hit was the foreign trade of the United States, whose percentage of world trade declined from 15.6 percent to 11.8 percent. The huge drop in the foreign trade of other countries was also unprecedented.

During the 1929-33 crisis, not only was the fall in production very sharp, but the decline lasted unusually long. In previous crises, production decline lasted at most a few months, but this time it lasted for years. Take the United States for example. It took more than 40 months to restore coal, pig iron and steel to their pre-crisis levels from their lowest point during the crisis. Therefore, the 1929-33 crisis became the longest world economic crisis in the history of capitalism.

The extreme acuteness and unprecedentedly protracted nature of the 1929-33 crisis combined to make it highly destructive, putting the clock back for capitalist industry and commerce and bringing to naught the achievements in the development of the productive forces over decades. The various crises that erupted before World War I usually pulled production levels back for one or two years, rarely for four years or more. But the 1929-33 crisis brought the level of industrial production of the entire capitalist world back to 1908-09. In this connection, French industry retreated to about 1911, the United States to 1905-06, Germany to 1896, and Britain to 1897.

The extent of the fall in prices during the 1929-33 crisis was greater than in any of the previous crises. Due to stagnant sales, wholesale prices in the capitalist world dropped one-third on the average, and prices of raw materials dropped 40-50 percent. Take the United States for example. Wholesale prices fell by 32.6 percent and consumer prices by 25 percent, while retail and wholesale trade both declined about 40 percent from normal levels.

Another reason why the crisis was so acute and protracted was that the industrial crisis entangled itself with the crisis in agriculture. The industrial crisis that broke out in 1929 sharpened the farm crisis that had started as early as 1920. Huge stocks of farm products went unsold; by 1932 such stocks showed an increase of 150 percent over 1925. The prices of farm products fell sharply. In the world market, the wholesale prices of wheat declined 70 percent, and those of soy bean, cotton, jute, sheep wool and coffee by 50 percent or more. A great number of farmers went to the wall. The industrial and farm crises combined to further deepen and prolong the economic crisis.

Because of huge unsold stocks and drastic fall in prices, capitalists had to destroy large quantities of commodities, abandon farmland and wreck production equipment in order to maintain high monopoly profits. In the United States, wheat and corn were used as fuel to take the place of coal; in Brazil, about 22 million bales of coffee were destroyed; in Denmark over 110,000 head of livestock were put to death. In the United States, 6.4 million hogs were bought and thrown into the Mississippi while more than 10 million acres of cotton were destroyed in the fields. During these years of crisis, 92 blast furnaces were ruined in the United States. In these three years the total tonnage of ocean-going ships wrecked exceeded 6.5 million registered tons.

While products and productive forces were destroyed on a large scale, millions and millions of unemployed could not find work and had to suffer from hunger and cold. As Marx and Engels pointed out in "Communist Manifesto": "During the crisis, a social plague breaks out which seemed in the past to be an absurdity, namely, the plague of over-production."

The crisis was not limited to production and commerce but was also extended into the bank credit system, foreign exchange and loan financing.

The fall in commodity prices during a crisis of over-production made it hard for debtors (industrial capitalists, handicraftsmen and farmers, etc.) to stay in business, and as a result, many companies and enterprises went bankrupt. In the United States, Germany and France, several tens of thousands of joint-stock companies were forced to close. In fact, not only the capitalists but certain capitalist states also went bankrupt. Repayment of military loans and loans among allied countries virtually ceased. Repayment of non-military loans also completely or partially ceased in certain countries.

In mid-1931, in Austria the Austrian Credit Bank which held 70 percent of the nation's deposits declared itself bankrupt, followed by the Dumstat (大姆斯塔特) Bank and the Dresden (德累斯頓) Bank, two of the four largest banks in Germany. This shook the monetary markets in all capitalist countries of Europe.

In September 1931, Britain was forced to give up the gold standard and declared the devaluation of the pound, to the consternation of the various countries of the world. The gold standard of the British Commonwealth and many European states having ties with the British pound soon collapsed as well.

In March 1933, waves of collapses of the capitalist world credit and monetary systems hit the United States. More American banks went under. By 1933, 11,730 banks and 252,000 businesses closed down in the United States. On March 4, 1933, the day of assuming office, President Roosevelt was obliged to declare a bank "holiday." This was followed by the closing of the New York financial center and the abandoning of the gold standard.

When the economic crisis erupted, the bourgeoisie, using the same old methods, shifted the losses resulting from the economic collapse onto the workers and the poverty-stricken farmers. The capitalists drove millions of workers onto the streets, causing countless workers and poor farmers to suffer from hunger and cold, utterly impoverished.

In the 1929-33 period, total unemployment in capitalist countries rose from 10 million to 30 million, or 40-45 million if the semi-employed were included. In the United States, unemployment rose from 1.5 million to over 13 million, accounting for about a quarter of the civilian work force (about 50 million). If the semi-unemployed were included, the total would reach 17 million, or a third of the work force. The number of unemployed in Germany was more than 6 million, in Britain about 3 million and in France 1.5 million.

The crisis also caused a continuous drop in the wages of workers in employment. During the crisis, wages declined in all sectors of the national economy in every capitalist country. The average wage of American workers, taking the average wage of 1898-1908 as 100, was 125 in 1929, 105 in 1930, 91 in 1931 and 71 in 1932.

Unemployed workers were left with no alternative but to queue up in long lines to get their bread and a bowl of gruel. Some even had to dig into piles of garbage to find something to eat. This became a fairly common sight in the cities of major capitalist countries. In various US cities, numerous "Hoovervilles" appeared on junk sites and vacant plots. These were intolerable shelters erected by the unemployed. In various countries poor people wandered from place to place to eke out a living and were in a state of despair. The number of suicides increased with each passing day.

The attack launched by the capitalists on the working class aroused the wrathful resistance of the proletariat. Strikes and protests by the unemployed arose like storms.

Capitalists of imperialist countries, apart from doing their best to have the losses caused by the crisis shifted onto the laboring people of their own countries, also exerted their efforts to "export the crisis" to colonies and semi-colonies so as to shift losses of the crisis onto the people in these countries as well.

While suppressing the prices of primary products, raw materials in particular, the imperialist countries made every effort to maintain the monopoly prices of manufactured goods, so that they might fall only a little or even rise. It therefore goes without saying that, during times of crisis, the exchange values of primary products and manufactured goods were even more unfavorable to colonies and semi-colonies, deepening the exploitation arising out of the exchange of unequal values. During the 1929-33 crisis, prices of primary products (raw materials) fell by 61 percent, whereas those of manufactured goods fell by only 51 percent. The value of primary products in exchange for manufactured goods fell by 21 percent. Imperialist countries also cut their imports of primary products while dumping their surplus goods, creating more difficulties for the exports of colonial and semi-colonial countries, which consequently had less foreign exchange and incurred greater losses.

The semi-colonial and semi-feudal China of the past suffered greatly from crises shifted to it by imperialism. In terms of industrial turnovers, sales of cotton textiles in 1933 dropped to only 35 percent of the 1930 figure, while in the case of flour, sales declined to 80 percent. Of the 113 filatures in Shanghai, only one or two were still operating in 1932, while the rest suspended operation. The prices of Chinese farm products such as silk and tea and other raw material plunged drastically and production was sharply cut back. The total value of exports in 1932 was almost halved from the 1928 level. Consequently, large numbers of workers lost their jobs as peasants and handicraftsmen became bankrupt or partially so.

At a time when all capitalist countries were without exception caught in the turmoil of a severe economic crisis, only the socialist Soviet Union under the leadership of Stalin and the CPSU (B) was unaffected by this gravest crisis in the history of capitalism, and was,moreover, able to achieve great gains in production. This not only proved the incomparable superiority of the socialist system, but also showed that only socialism could avert crises.

Struggle in Despair

During the period of "free" capitalism, bourgeois states generally practiced the policy of "laissez-faire." At that time, economic crises of over-production which occurred periodically were mainly solved by the spontaneous function of capitalist economic laws. Despite the fact that state monopoly capitalism developed rapidly at the imperialist stage, up to the eve of the great crisis of the 1930's, the various capitalist countries still kept to a policy of "non-intervention" in the economy by the state. The bourgeois economic theory advocating "laissez-faire" was still dominant.

The 1929-33 capitalist world economic crisis, unprecedentedly profound and sharp, declared the bourgeois economic theory of "laissez-faire" bankrupt. The crisis showed that capitalism had become so decadent that it could no longer relieve itself from the grip of crises merely by relying on its own inherent force. Hence the reactionary Keynesian theory which advocated stronger "state intervention" to stimulate the economy and maintain "full employment." The emergence of the Keynesian theory reflected the desperate struggle of the monopoly bourgeoisie in attempting to overcome the crisis, eliminate unemployment and head off revolution through stronger "state intervention" in the economy during a period of general capital crisis.

During the crisis, bourgeois governments of various states stepped up "state intervention" in economic life. In the name of "countering the crisis," they stepped up militarization of the national economy and resorted to all kinds of state measures to "regulate" the economy so as to safeguard the reactionary rule of financial oligarchy and guarantee super-profits for monopoly capital.

In early 1933, amid the desolate scene caused by the crisis, two noteworthy events appeared in the capitalist world. One was the rise to power of Hitler in Germany in late-January; the other was Franklin D. Roosevelt taking over the US presidency in early March. Although one advocated fascism and the other bourgeois liberalism, yet judging by their economic policies, both stressed direct state economic "intervention" in a vain attempt to avert the crisis by taking stronger measures of state monopoly capitalism.

Hitler lost no time in carrying out the wishes of the monopoly bourgeoisie. Politically, he practiced the extremely reactionary, chauvinistic, and imperialist dictatorship of open terror. Economically, he stepped up the development of state monopoly capitalism along military lines. In July 1933, the Hitler government set up under the Imperial Economic Ministry a "German Economic General Council" to strengthen overall control, "intervention" and "regulation" of economic life by the state, exercising strict control, similar to that in wartime, over the distribution of raw material, manpower, funds and products, and ruling that all farm produce must be sold to the state, farmers having no right to sell their own produce on the market. In a word, all internal economic activities had to be subordinated to the goal of preparing for war.

The Hitler Government also placed large military orders with monopoly concerns and enforced cartelization measures in industry, enlarging direct state control over enterprises and intensifying aggression and expansion abroad. From 1933 to the autumn of 1939, total military spending jumped sharply to 90 billion Marks, almost three-fifths of the total national budgetary outlays during the same period.

All-out development of the war industry by the fascist regime resulted in the extremely backward and slow development of civilian industries. From 1933 to 1939, firearms production rose 11.5 times, while production of consumer goods rose by only 43 percent. Massive military orders gave the monopoly capitalists huge fortunes, and some Nazi leaders became new upstarts. The broad masses of workers and laboring people, tormented under military hard labor, led an unbearable life. In 1937, in Germany 4 million more workers were employed than in 1932; however, the real income of the working class as a whole in that year did not exceed the 1932 level. Obviously, the massive military expenditures of the Hitler Government were obtained by considerably lowering the living standards of the workers and other laboring people.

With the war industry developed at an accelerated pace and the economy shifted to the war path, fascist Germany, Japan and Italy did not in 1937 join the US, Britain and France in a new round of over-production crisis. But this in no way suggested that they fared better economically. As Stalin pointed out: "What does it mean by shifting the national economy onto the track of wartime economy? It means that industry develops in a military direction, production of goods essential to war and unrelated to the needs of the populace is vigorously expanded, production of consumer goods is reduced as far as possible, and in particular, supplies to the market are cut. As a result, the state sinks into an economic crisis." *

As a step of the last resort, Hitler's fascist regime sought to find a way out of crisis by means of launching a new imperialist war, showing that the monopoly bourgeoisie had reached its dead end.

In the U.S., in the spring of 1933 at a time when a great number of banks closed down and the credit crisis was most serious, Franklin Roosevelt took over as President of the United States. The moment he entered the White House, he asked Congress to grant him "full emergency powers" and anounced his "new deal." Essentially speaking, Roosevelt's "new deal," like all measures of state monopoly capitalism, was intended to overcome the crisis, mitigate class contradictions and safeguard the reactionary rule of monopoly capital by stronger state economic "intervention." The objective of the "new deal" was not only

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* Stalin, "Report on the Work of the Central Committee to the 18th Congress of the CPSU (B)," Problems of Leninism, p. 662.

to continue to intensify "intervention" in currency circulation and credit facilities but also to extend the "intervention" to social production.

On March 5, 1933, the second day after he was sworn into office, Roosevelt ordered a four-day nationwide bank "holiday," which in effect meant suspending withdraw of deposits and convertibility into gold. Then he hurriedly promulgated the "Emergency Banking Act," the "Gold Act," "Deposit Insurance Act" and other laws, in addition to taking such measures as extending the deadline for banks to meet requests for deposit withdrawals, concentrating all gold at the Federal Reserve Bank, devaluing the dollar, abolishing free convertibility of the dollar into gold, banning gold exports and issuing more banknotes. Besides, the Roosevelt Administration made use of the "Corporation for Financial Recovery" set up during the Hoover period to offer the bank monopoly groups huge loans amounting to 3 billion dollrs to give the bankers the much needed blood transfusion so as to save the big banks from bankruptcy. The result was that a few big banks were preserved, but a large number of medium and small banks still went under. In a very short time, the total number of banks in the country was reduced by one-fifth.

Measures adopted by the Roosevelt Administration to abolish the gold standard and resort to inflation brought considerable benefits to monopoly capitalists. Taking advantage of the inflation, they further cut down the real wages of the workers, increased their own profits, and improved their competitive position on the international market.

In order to step up "regulation" of industry, Roosevelt in June 1933 again promulgated the "National Industrial Recovery Act," one of the pillars of the "new deal." The main aspect of this law was to require all departments to devise the so-called "fair competition codes" and to lay down rules governing the scale of production, market distribution, credit requirements, price levels, wage levels, working hours and hiring of labor for themselves. To benumb the fighting will of the workers and soften the growing revolutionary movement, the Roosevelt Administration could not but recognize on paper certain basic rights of the workers, such as setting in the relevant clauses of the Act minimum wages of workers and promising to sponsor public works to create more jobs and reduce unemployment, and so on.

The "Industrial Recovery Act" basically could not eliminate unemployment. Despite the fact that the Roosevelt Administration set up a so-called "Federal Public Works Bureau" and allotted huge funds for "public works," the benefits went only to the monopoly capitalists and the massive army of the unemployed still stood at 10 million strong.

The "Agricultural Adjustment Act" promulgated by Roosevelt in May 1933 was also one of deception. In order to solve the problem of a large "surplus" of farm produce, the government, in the name of rewards and subsidies, asked farm owners and the vast number of small farmers to reduce the cultivated acreage and output, and allocated large funds to purchase farm and animal products for the purpose of having them destroyed. This fully illustrated the decadence of the capitalist system.

In order to suppress the explosive situation caused by the crisis, the Roosevelt Administration successively announced the "Deposit Insurance Act" and the "Emergency Relief Act" while issuing some "housing loans" and "unemployment relief fund." However, these government "subsidies" were but drops in the bucket to the great masses of the unemployed, and could only serve as "decorative gilding" tc capitalism.

Roosevelt's "new deal experiment" was at one time loudly applauded by the bourgeoisie and a small handful of degenerates of the working class. They praised the "new deal" as a "peaceful revolution," saying that capitalism under the "new deal" was "progressive capitalism," "planned capitalism without crises," etc. But the prolonged "special depression" and the serious crisis that followed it after Roosevelt took over the presidency completely shattered the various absurdities of the bourgeoisie and the revisionists.

The 1929-33 economic crisis of the capitalist world with its far-reaching consequences was additional forceful proof that, whether it adopted "laissez faire" or "state intervention," the bourgeoisie could not overcome the periodic capitalist crises of "over-production." Economic crises originate in the capitalist economic system itself, and emerge with the establishment of the capitalist rule. Therefore, as Stalin put it: "To eliminate crises, it is necessary to destroy capitalism."*

Following the 1929-33 economic crisis, the capitalist world entered a period of "special depression," and the various capitalist countries had never experienced the phase of boom. Moreover, beginning with the latter half of 1937, the United States, Britain and France again sank into a new economic crisis. Although Germany, Japan and Italy had put their national economy on a war footing and had not yet become involved in the crisis, yet the shadow of crisis was looming larger and larger. To avert the attack of a new economic crisis, Germany, Japan and Italy lost no time in taking advantage of their greatly inflated military strength and the economic difficulties of the United States, Britain and France to launch the Second World War. They first seized the colonies and spheres of influence of the United States, Britain and France, and by 1939 all major capitalist countries were drawn into the war. As Chairman Mao, when analyzing the Second World War, pointed out: This war was caused by the fact that "the various imperialist powers attempted to relieve themselves from new economic and political crises."**

War leads to revolution. As a result of World War II, a great number of countries in Asia and Europe took the socialist road. The

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* Stalin, "Report on the Work of the Central Committee to the 16th Congress of the CPSU (B)," Complete Works of Stalin, Vol. XII, p. 215.

** Mao Tse-tung, "The Present Situation and the Party's Tasks," Selected Works of Mao Tse-tung, bound volume, p. 578.

victory of the Chinese revolution "breaks the eastern front of imperialism and has great international significance."* It greatly changed the balance of international class forces as imperialism was once again dealt a serious and fatal blow.

Historical experience merits attention. Recalling the history of the 1930's and studying the relationship of crisis to revolution and war, will help us make a more penetrating analysis of the current world situation. At present, a deep economic crisis is continuing to develop in the capitalist world, and the two superpowers, the United States and the Soviet Union, are finding it increasingly difficult to keep things running. In order to free themselves from political and economic crises, they are stepping up their contention with each other everywhere in the world, and are resorting to every selfish means available to shift their crises onto the people of their own countries and the people of the Third and Second Worlds. While talking about "detente" and "disarmament" every day, they are actually creating tensions with their arms drive. To get to the bottom of it, "detente" is merely a figleaf to cover up their violent contention and preparations for a new war. People of all countries in the world should sharpen their eyes and raise their vigilance against the deception of the two superpowers who are preparing for war while putting up the false facade of detente. In the early days, Hitler, holding the globe in his hand, dreamed of conquering the world. But in the end, he was overthrown by the people of the world. Compared with that of the 1930's, the world situation of today has changed in a direction very favorable to the people of the world. If the two superpowers, especially social-imperialism, insist on taking Hitler's old road of hegemonism, making trouble in the world and launching a new world war, they will certainly end up even more tragically than Hitler. As Chairman Mao has said: "If the imperialists decide to launch a third world war, they will gain nothing but the ultimate destruction of the world capitalist system."**

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* Mao Tse-tung, "Report to the 2nd Plenary Session of the 7th Central Committee of the Chinese Communist Party," Selected Works of Mao Tse-tung, Vol. IV, p. 1439.

** "Speech at the Meeting of the Supreme Soviet of the USSR in Celebration of the 40th Anniversary of the Great October Socialist Revolution", (Chairman Mao on World Revolution), pp. 60-61.

The Keynesian Theory

(Li-shih Yen-chiu /Historical Research/, No. 1, February 20, 1975)

Keynesianism is the dominant school in contemporary bourgeois vulgar economics, and is viewed in imperialist countries as "mainstream economics." Advocating state economic intervention, it provides state monopoly capitalism with a theoretical basis.

The founder of Keynesianism was the British bourgeois vulgar economist John Maynard Keynes (1883-1946). Keynes was born of a bureaucrat-bourgeois family and graduated from Cambridge University. Apart from teaching at Cambridge, he held important posts in various departments of the British government for a long time. During World War I, Keynes was engaged in confidential work in the British treasury, and after the War, as its principal representative he attended the Paris Peace Conference. After the 1929-33 capitalist world economic crisis, Keynes served as chairman of the Financial and Economic Advisory Committee of the British cabinet while remaining a leading member of the Consultative Council of the Exchequer. During World War II, Keynes was appointed a director of the Bank of England. In recognition of his reactionary merit, the King of England made him a "lord" in 1942 and a British aristocrat. In 1944, he led a British delegation to attend the "United Nations Monetary-Financial Conference" convened at Bretton Woods in the United States, and became a director of the "International Monetary Fund" and the "International Bank for Reconstruction and Development" founded by that conference. In 1945, as the chief British representative he attended the Anglo-American loan negotiations. Keynes was also an admirer of Confucius; in 1912 he wrote an article introducing the book "Confucius and Confucian Economic Principles" by Ch'en Huan-chang, President of the "Confucian Society" in old China.*

Under the situation in which monopoly capitalism was being further developed and the basic capitalist contradictions intensified with each passing day after the First World War and the victory of the October Socialist Revolution, Keynes, himself a member of the monopoly bourgeoisie, was driven by his reactionary class instinct to frantically oppose socialism and to do his best to "save" the dying capitalism. In 1920, he published "The Economic Consequences of the Peace," a book that vigorously called for the preservation of the German aggressive forces after their defeat in World War I in order to "restrain" the growth of the socialist revolutionary forces. In that same year, at the Second Congress of the Communist International, Lenin, in view of Keynes' reactionary stand, pointed out incisively: Keynes was a "staunch defender of capitalism" and a "deadly enemy of Bolshevism."

From 1929 to 1933, an economic crisis of unprecedented severity erupted in the Western capitalist world, shaking the entire capitalist

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* See the British "Economist," Vol. XXII, 1912 December issue, pp. 584-588.

system to its foundations. The traditional theory of vulgar economics which held that the capitalist system, through free competition, could strike a balance between supply and demand and cause automatic regulation of the economy without economic crises became totally bankrupt. The monopoly bourgeoisie urgently needed a new theoretical system to defend monopoly capitalism and counter-policies to "avert" economic crises. Keynes' book "The General Theory of Employment, Interest and Money" published in 1936 precisely met this need. The book marked the completion of the development of Keynesianism into a complete theoretical system. Commenting on Keynes' theory, the American bourgeois economist Wright said: "Though we may refute certain propositions put forward by Keynes, overthrowing his entire system may mean we miss the last chance to save capitalism."* This remark explained why Keynes' theory was readily accepted by the vast majority of bourgeois economists. For 30 years, Keynes' followers, on the basis of "General Theory," have refurnished and supplemented his theory and formed the Keynesian doctrine that is now widely popular in the Western capitalist world.

Keynes' theory is based on the so-called inadequacy of effective demand and people's psychological factors devoid of a class character. He was reluctant, and dared not, to seek out the causes of unemployment and economic crises from the capitalist mode of production itself, but blamed them on the inadequacy of effective demand, which, in turn, was said to be caused by under-consumption and under-investment.

As Keynes saw it, inadequate consumer demand was caused by a psychological factor, "the tendency to consume." In other words, as income kept on increasing, the proportion of the increased income used for consumption was incessantly reduced while that for savings grew larger and larger, resulting in under-consumption. For example, if one's income was US$100, one would use all of it for consumption, but if one's income was increased to US$200, according to the "tendency to consume," the additional US$100 would not be all used for consumption. Perhaps only half of it, that is US$50, would be used for consumption, the rest put aside for saving. If one's income was increased to US$300, perhaps only 25 percent of the second additional US$100, that is US$25, would be used for consumption, with the remaining US$75 put aside for saving. It was said that if these savings were not used by the capitalists in the form of investment, unemployment and economic crises might ensue. This assertion of Keynes' is nothing but subjective idealist fabrication, for it distorts the truth of consumption by various classes under the capitalist system. The proletariat and the broad working masses cannot even keep their families warm and fed with their incomes, how can they talk about savings? The extravagant monopoly capitalists have long indulged in over-consumption, how can they talk about under-consumption? The truth has always been that under the

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* David Wright, "The Future of Keynesian Economics," carried in "American Economic Review," 1945 June issue, p. 245.

capitalist system, under-consumption really exists among the laboring people--due to the capitalist system of exploitation. Ever since human society was divided into the exploiting and exploited classes, the laboring people have for the past thousands of years suffered a dire state of under-consumption, but only under the capitalist system have economic crises broken out. As Engels pointed out long ago, mass under-consumption was only "a precondition of the crisis" and "does not tell us the causes of the existing crisis." ("Anti-Dühring")

Keynes believed that under-investment was caused by two other psychological factors. First, industrial capitalists were psychologically inclined to have no confidence in future economic and political developments. Therefore, their anticipated profitability often declined with the increase of capital. Second, there was the psychological partiality for money. People would not lend their money unless interest could be earned. Therefore, regardless of the volume of money supply in society, interest rates would always have to be kept at a certain level. As the psychological partiality for money grew, interest rates would have to be raised. To Keynes, under the condition that the anticipated profitability fell and the interest rates could not be correspondingly lowered, capitalists would spend less on purchasing means of production, resulting in under-investment and failure to offset under-consumption caused by savings. The result would still be unemployment and crisis. In fact, the point Keynes made regarding the demand for investment was one to put the cart before the horse. In times of crisis, due to suspension of industrial operations, fixed capital could not be used, raw materials piled up, and commodity sales were stagnant. This is precisely what Marx had pointed out: "At this moment production capital proves excessive. This excess is relative not only to the normal but already temporarily contracted scale of reproduction, but also to the already shrunken consumption." ("Capital," Vol. III) It was not a case of under-investment.

Keynes' fallacies can in no way cover up the objective truth. Unemployment and periodic economic crises of over-production stem from the capitalist economic system itself. The contradiction between the socialization of production and the capitalist form of private ownership of the means of production and the fruit of production, that is, the basic contradiction of capitalism, is the real basic cause of economic crises.

On the basis of his erroneous assertion about inadequate effective demand, Keynes introduced his "anti-crisis" policy. This policy was predicated on state intervention and regulation of the economy in the interest of vigorous expansion of state monopoly capitalism, namely, using the bourgeois state machine to make up for inadequate effective demand. The concrete measures were: the central banks were authorized to adopt a flexible monetary policy, so that during a crisis it might increase the money supply, lower the interest rate, and expand credit to stimulate capital investment; the bourgeois government should implement a policy of deficit financing and increase government borrowing and spending, sponsoring public works programs in order to boost consumption demand and carrying out militarization of the national economy, stepping up the arms race and pushing a war

policy in order to stimulate the economic recovery and to "avert" the crisis; while introducing deficit financing, an inflationary policy should be enforced to compensate the deficits, with the bourgeois government issuing a large quantity of paper money and public bonds to generate inflation deliberately. Money supply was to be expanded through inflation so as to increase effective social demand on the one hand and to lower real wages to stimulate the demand for investment on the other. Lenin had pointed out long ago: "Both in the United States and in Germany, 'regulation of economic life' results in the creation of military hard labor camps for workers (and a section of farmers) and in the building of a paradise for bankers and capitalists. The regulatory measures of these countries are to 'tighten the belt' of the workers until they are in a state of hunger while simultaneously guaranteeing (through secret means and reactionary bureaucratic means) higher profits for the capitalists than before the war." ("What Is the Way Out in Face of the Coming Diaster?") Such is the essence of Keynesian "anti-crisis" measures.

After World War II, Keynesianism was successively accepted by the ruling groups of the Western capitalist world and became the principal basis for various imperialist countries to draw up their state economic policies. As the Keynesian "anti-crisis" measures were designed to step up the attack on the proletariat through state monopoly capitalism and to help monopoly capitalists reap superprofits, and as they were measures to quench the thirst by drinking poison with inflation as the means, so in these countries active implementation of Keynesianism during the post-war years not only could not enable them to be free from crises, but on the contrary, caused the aggravation of the basic capitalist contradictions and rapidly deepening crises. Inflation was like an unbridled horse and could not be arrested. The current situation is just as the great leader Chairman Mao had stated long ago: "The imperialists have sunk into a crisis from which they cannot extricate themselves." ("Speech at the Preparatory Meeting of a New Political Consultative Conference") Industrial production has kept on declining, unemployment has grown drastically, inflation has developed viciously, and commodity prices have soared. The ruling groups of the various imperialist countries, confronted with the most serious economic crisis since the War, are powerless to cope with the two-pronged attack of the crisis of over-production and vicious inflation, and find themselves in an impasse. As the Western press has stated: "The present trouble" is to deal with the "combination" of inflation and economic crisis. "If inflation were controlled, depression would arrive; to avert depression, commodity prices would skyrocket." Indeed, the Keynesian "anti-crisis" measures do not work anymore. The US "Monthly Review" says: "Keynesianism that has been wilfully carried out for thirty years is now eating its own bitter fruit."* Keynesianism has declared itself bankrupt.

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* US "Monthly Review," 1974 April issue, "Editorial Comment," p. 11.

At present, the Western bourgeoisie economic circles are, as in the great crisis of 1929-33, craving for the appearance of a new "economic theory" to help them overcome their predicament. But just as the noted American economist Topping has lamented, "a new Keynes has not yet appeared."* Economic crisis is the natural product of the capitalist system and its appearance is an objective law independent of man's will. No one, be he the Keynes who has died or a new Keynes who has yet to appear, can cure the incurable disease of capitalism, let alone save the capitalist system from doom. (By Pai Ching 柏勁)

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* US "Business Week," June 29, 1974, p. 59.

The Appearance of Money and the Dissolution of Public Ownership in Primitive Society

(Li-shih Yen-chiu /Historical Research/, No. 2, April 20, 1975)

In "Anti-Dühring" Engels criticized Dühring's "economic commune," and dwelling on the role of money in promoting the dissolution of the system of public ownership in primitive society and the emergence of private ownership, pointed out: As the form of value of commodities further developed into the form of money, thereby rendering the commodity form universal, "so the commodity form and money penetrated into the economic life of the social organization set up directly for purposes of production, undermining the various links of this social organization one by one and dissolving it into groups of private producers."

Primitive society was a society based on the ownership of the means of production by the primitive commune. In primitive society, traditions of public ownership over thousands of millenniums, social organizations of clans formed by blood relationships, and the interdependence among men and the primitive relationships of equality formed under these conditions became the solid links that maintained this social system. In the late period of primitive society, there came into existence commodity exchanges. Nevertheless, at that time, people did not produce for the sake of exchange, they merely exchanged their surplus products. Such isolated and occasional exchanges of commodities that appeared initially were direct exchanges between one product and another. With the development of commodity production and commodity exchanges, such direct exchanges between one product and another proved increasingly difficult. To resolve this contradiction, it was necessary to have a certain kind of special commodity which was generally acceptable to everyone and with which they were willing to exchange. Then this special commodity would be used to exchange for commodities they needed. And so, a certain special commodity was gradually separated from commodities and played the role of general equivalents. This special commodity was money. In history, animals, shells, grain and cloth, etc. once played the role of money. Later, money was gradually fixed in the form of such precious metals as gold and silver. The appearance of money greatly accelerated the historical process of disintegration of the system of public ownership in primitive society and the birth of the system of private ownership.

With the appearance of money, the value of all commodities had to be measured in terms of currency, and the inter-exchange of different kinds of commodities also had to be done with currency as the medium. With money one might exchange for any kind of commodity; and whoever owned money had the right to control wealth in any form. Money became the incarnation of wealth.

How did money accelerate the disintegration of the system of public ownership in primitive society and the rise of private ownership?

First, the appearance of money gave a greater impetus to the development of commodity exchange relations, stimulating even more the

desire of the comparatively richer families to amass private wealth toward the late period of primitive society, and providing them with a more convenient means of amassing private wealth. This accelerated the development of private ownership in primitive society as well as the polarization between rich and poor.

Second, the appearance of money brought with it the appearance of usury. A few rich members of the primitive commune used usury to exploit other members of the commune having the same blood ties, thus breaking the relationship of identical interests between people based on public ownership founded in the primitive commune and propelling the development of the relationship of conflicting interests based on private ownership.

Third, among the various means of production and products of labor in primitive commune the public ownership of land was retained the longest. Even after animals, production tools, houses and products of labor became privately owned, land was still the property of the primitive commune but was allocated to various families for use at regular intervals. Later, land was also gradually turned into private property. The complete private ownership of land meant that land could be bought and sold freely. When people with money were able to purchase land with their money and owned the land belonging to others by means of usury, the system of private land ownership was finally established.

Fourth, since money could be exchanged for products of people's labors, it didn't take long for it to be exchanged for people themselves. Toward the late period of primitive society, there were already instances of captives turned into slaves. With the appearance of money, slave-owners who could not get hold of large numbers of slaves directly might buy them with money. This promoted the development of the slave system and accelerated the transition of primitive society to slave society.

Primitive society represented the lowest form of social system in human history, and its transformation into private ownership was an advance in history. In promoting this transformation, money played its own historical role. This function of money was unavoidable at that time.

In history, the development of commodity-money relations played its part in dissolving the system of public ownership of primitive society. Today, under socialist conditions, the existence of a commodity system and exchange by means of money is still unavoidable, and "this can only be restricted under the dictatorship of the proletariat." If the commodity-money relationship were allowed to develop without restriction, the socialist system of public ownership of the means of production would be undermined and there would be more soil for the restoration of capitalism. It is therefore imperative that the dictatorship of the proletariat must be strengthened and bourgeois right as regards commodities and money must be restricted so as to gradually dig away the soil breeding the bourgeoisie and capitalism. (Pai Ching 柏经)

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Recall the Old Events

by

Chai Ch'ing (翟青)

(Hsüeh-hsi yü P'i-p'an /Study and Criticism/, No. 5, May 18, 1975)

In 1963, the first secretary of a district Party committee in Shanghai was expelled from the Party.

Was he a renegade and spy who had sneaked into the Party? No, he was not. Was he a class alien who wormed his way into the Party? No, either. Born into a poor peasant family, he joined the revolution during the War of Resistance Against Japan, years of deep national crisis and raging war flames, and then the Party in 1938. In the prolonged revolutionary struggle he had done some work for the Party. Why, then, was this district Party committee secretary, a man who came from the poor and had joined the revolution and the Party for many years, driven out of the Party?

He was a typical example of those who rotted in the cozy nest of bourgeois individualism. Although he had joined the Party for 25 years, as he had never exerted any effort in study and paid no attention to remolding his world outlook, he had not entirely joined the Party in an ideological sense. Particularly after the Party assigned him to take charge of a district following the nationwide victory of the revolution, he thought that, vested with certain benefits brought by the victories of the proletariat, he might now settle down to feather his own cozy nest. So, he alighted from the wagon on the long march of the proletarian revolution and allowed himself to be attracted to the evil road by the bourgeoisie.

How did he feather his cozy nest? He did it with all the means that the end justified. Making use of the power in his hand and under the excuse of going to the lower level to cultivate an "experimental plot," he brought along his wife and children to indulge in eating and drinking, regarding the so-called "experimental plot" as a "wine and food shop" for personal enjoyment. He had a fine taste indeed: he asked the district commercial department to provide him with extra supply of all kinds of delicacies, and had cooks from well-known restaurants in the district transferred to prepare food for him exclusively. He asked the foodstuff plant to produce special confectioneries for him. Even when he fell ill and stayed in a hospital, he asked the famed restaurants in the district to send him famed dishes and refreshments by turn. He was so greedily after enjoyment that in the name of recuperation, he brought along his wife on a tour of scenic spots, travelling through half of the country in more than two months and charging all the expenses to the public purse. In the name of "work requirements" or of trial use of new products, he asked the state-run factories to provide him with TV sets, heaters, massage equipment, etc., valued at several thousand yuan, and took them into private possession. He changed his houses many times within several years, each time looking for a better one. His lust for material

comforts finally led him to degenerate into one who was decadent in living and protected wicked elements politically. As pointed out by the decision of the CCP Shanghai Municipal Committee to expel him from the Party, "All this shows that he has completely changed in the style of living and in thoughts and sentiments, not only losing the qulifications of Party membership but also degenerating into a bourgeois element."

At that time,the broad masses described him as a "local emperor." This graphically illustrated certain important characteristics of new bourgeois elements that emerged from a section of Party members. As they carried a card of "Party member" and "state cadre," they might take advantage of the position of our Party as the government party to gain some "political capital." Once they thought they had gained definite "political capital," they would become particularly more greedy for commodities and money. Wasn't this district Party committee secretary exactly such a man? Look: He liked the house that was used for a nursery for children of state personnel, so he ordered the nursery with more than 80 children to move away so as to vacate the house for him. Not long afterward he was attracted to a luxurious house of a capitalist, so he ordered an "emergency mobilization," ejecting the old capitalist and asking the housing department to re-decorate the house at a cost of more than 1,900 yuan. Before he went on a pleasure tour, he ordered a tailoring shop to work overtime at night to make pretty dresses for him and his wife, in addition to asking the district hospital to provide him with more than 700 yuan worth of precious tonic food. He liked hens that weighed no more and no less than two catties, so he asked the district commercial department to send him a group of chicks for special feeding. All this showed that a new bourgeois element who exercised power on the stage would always obstinately transform the Party and the world in his own image and turn the area under his control into an underground independent kingdom. Such an independent kingdom was in fact a bourgeois "fortified village" rebuilt under socialist conditions. Here the new bourgeois element would rule as a hegemonic lord, do as he pleased, and ignore entirely Party discipline and state laws and the interests of the masses. Such a man was indeed a "local emperor" in name and in fact. Lenin said: "Often, soon after landlords and capitalists were swept away during the revolution new capitalists emerged from among rich peasants, well-to-do peasants and speculators and oppressed the workers far more severely than the old landlords and capitalists." Both historical and current conditions tell us that the arrogant new bourgeois elements are indeed "more rampant" than the old bourgeois elements. So avaricious are they that they want to turn all wealth of the people into their private possession overnight.

In our Party, a party that seeks the well-being of the majority of people of China and the world, and in our country, a country of proletarian dictatorship, the vast numbers of Party members, cadres and workers and peasants have no room for "local emperors" in those "fortified villages." And because of this, new bourgeois elements of various brands have to resort to double-dealing tactics, attacking one section of people and wooing another section, creating splits and bringing up their faithful followers, or else they will not be able to survive for

one single day. Take, for example, that district Party commitee secretary. In the area under his control, he always tried by a thousand and one means to undermine the Party's organizational principle. Those who flattered him and curried favor with him, he made "loyal ministers." Those comrades who dared to uphold correct principles and disagree with him, he accused of being "evil ministers." They were charged at will with "disobeying the district Party committee." Those who were so charged did no more than to oppose this "local emperor" for stirring up the "bourgeois wind." The charge -- "disobeying the district Party committee" -- made by this new bourgeois element reflected nothing but the fact that the overwhelming majority of our Party members persisted in their struggle against the "bourgeois wind." That this district Party committee secretary used this charge to restrain the revolutionary comrades showed more than anything else his fear of proletarian uprightness. As a matter of fact,under socialist conditions new bourgeois elements who think they have "political capital" always shamelessly consider themselves the personification of the Party, imposing on others with their authority and forbidding others to voice their opinions, with the objective of clamping down the lid and obstructing the broad masses from sweeping their reactionary "fortified village." Similar cases had occurred many times before. For this reason, in our protracted fight against the new bourgeois elements, we should give special attention to such counter-revolutionary tactics of the class enemies.

This district Party committee secretary had personally gone through the "3-antis" and "5-antis" movements in the early days of the People's Republic. However, ten years after these movements, he still repeated the mistakes and completely degenerated. This shows most impressively that as long as there exists soil breeding capitalism and the bourgeoisie, new bourgeois elements may "come out of the earth" in batches. From the "3-antis" and "5-antis" movements to the rectification campaign and the anti-Rightist struggle, from the "four-cleanups" movement in town and country to the great cultural revolution and the movement to criticize Lin Piao and Confucius -- all these have been great struggles waged by the proletariat to dig away the soil giving rise to new bourgeois elements. Going the other way, the bourgeoisie has tried its best to preserve this ground and to continue to expand it. Some of the new bourgeois elements that came out from this soil operate outside the Party and some within the Party, some are found in factories and some in rural areas, some are old cadres who have joined the Party for many years and some young cadres who have held power not so long ago. But they have one thing in common: they extend and worship bourgeois right. Thus, to consolidate the dictatorship of the proletariat, we must restrict bourgeois right which inevitably exists under the present conditions, and consciously resist flattery by the idea of bourgeois right. However, those who are after material comforts and those bureaucrats always say that bourgeois right is a good thing, and do everything they can not to restrict but extend it. So at a certain time, these people will inevitably come into conflict with the dictatorship of the proletariat, as typified by that district Party committee secretary. When he was seriously afflicted by the bourgeois style of life, the Party had patiently educated and seriously warned him. If he had turned back and mended his way, he might still be able to continue to work for the

revolution. However, he did not. On the contrary, he deceived people above and oppressed people below, obstructing cadres from reporting to the higher-ups on the actual situation. He instigated some people to "resist" the higher-ups and formed a so-called "investigation team" to submit false reports to deceive the Party. This shows that one who did not turn back from the evil road of relishing and extending bourgeois right would finally degenerate into an incorrigible element. Chairman Mao says: "What attitude should all those Party members who have made ideological and political errors adopt when they are criticized? There are two alternatives to choose from: One is to correct the mistakes and be a good Communist; the other is to go on degenerating and even fall into the counter-revolutionary pit. The latter alternative does exist, and the counter-revolutionaries may be beckoning there!"

The degeneration of this district Party committee secretary took place after the basic completion of the socialist transformation of the ownership of the means of production. Not long after he was expelled from the Party, a socialist education movement was gradually unfolded with much fanfare in town and country throughout the land. At that time, Chairman Mao had pointed out explicitly: "The target of the movement is to purge the Party of those people in authority taking the capitalist road." Events of the past ten years or so have proved that to step up Marxist education among the vast numbers of cadres so as to enable them to understand Marxism as opposed to revisionism and to raise their ability to distinguish right from wrong in line is an important measure for consolidating and strengthening the dictatorship of the proletariat. All Party members, particularly those who are in charge of leading work, must not only wage a resolute struggle against such new bourgeois elements but also take warning from those who have degenerated into bourgeois elements. At the same time, they should also make strict demands on themselves and take the lead in studying the theory of the dictatorship of the proletariat well, in restricting bourgeois right, in checking the undesirable wind, and in continuing the revolution persistently.

In the article "Recall the '3-Antis' and '5-Antis' Movements" we mentioned Liu Ch'ing-shan and Chang Tzu-shan, and in the article "Thoughts on Reading the Old Newspapers," we mentioned Lu Hsing-yüan and Ts'ao X-x. This time we mention a district Party committee secretary. These are all old events recalled, and the purpose is to review the historical experience and lessons with our readers, so that together we will apply ourselves to studying well the theory of the dictatorship of the proletariat on the plane of integrating theory with practice.

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A Random Talk About Differences between Town and Country

by

K'ang Li (康立)

(Hsüeh-hsi yü P'i-p'an [Study and Criticism], No. 5, May 18, 1975)

Have there been differences between town and country since ancient times? No. Like anything else, it follows a course of coming into being, development and disappearance. It is a long story to explain how the differences between town and country first came into being.

In primitive society which lasted for thousands of millenniums, our forebears lived in the boundless wilderness. There were no cities then, let alone differences between town and country. These differences made their appearance following social division of labor and the introduction of private ownership. Marx pointed out: "The greatest division of work between material and spiritual labor was the separation of the cities from the countryside. The antagonism between town and country began with the transition of barbarism to civilization, tribal institution to the state, and local limitations to the nation. It has pervaded the entire history of civilization and lived on to this day." The development of social productive forces in the final stages of primitive society brought about two consecutive major social divisions of work in the history of mankind, that is, the division of work between agriculture and animal husbandry and that between the handicraft industry and agriculture. As social division of work quickened the development of productive forces and brought about large amounts of surplus products that could not be produced previously, conditions were thus created for ownership and commodity exchange. From archaeological finds it is possible to see the relics of cities built in the early period around the two river basins in ancient times, in Egypt, Syria, China and India. These served as the fixed markets where handicraftsmen sold their wares and exchanged their products with the surrounding countryside. As cities began to take shape in this way, the antagonisms between town and country likewise started to appear.

In class society marked by exploitation of man by man, the differences between town and country are also the antagonisms between town and country, a reflection of class antagonism. The advent of the slave ownership system resulted in the formation in society of two mutually antagonistic classes, that is, the slave-owning class and the slave class. Having access to more and more wealth, clan leaders, tribal chieftains and certain wealthy families employed every means--political and economic, violent and non-violent--to make those impoverished members of clans and tribes as well as prisoners of war their own slaves, with themselves ascending to the slave-owning class. This class began to build strong and fortified cities to protect its private possessions from trespassers, using forcible means to suppress and enslave the slaves and turning these cities into amusement grounds and ruling centers. The Mesopotamian city of Ur built in 2,200 B.C. boasted of a towering pyramid-like imperial palace and forts, from where slaves working

in the distant fields could be watched. The ancient cities of Babylon and Nineveh likewise were fortified by massive walls. Engels pointed out: "The tall walls surrounding the new and defended cities were not erected for no reason at all, their trenches sinking deep to be the graves of the patriarchal system and their towers thrusting into the era of civilization." This means that separation of town from country and their antagonisms indicated the collapse of primitive society and the emergence of states based on the slave system.

The development of slave society was followed by the sharpening of antagonisms between town and country. The slave-owning class built in the cities magnificent palaces, gardens, mansions and theaters replete with the pleasures of life. More importantly, the setting up of barracks, courts and prisons in the cities signaled for the vast countryside bloody suppression and intensive exploitation. There were also special markets in the cities for selling slaves, who were in chains and carrying around their necks tags showing their ages, status and skills. Buyers could feel their muscle and examine their teeth just like picking the livestock they wished to buy, haggling over prices and bestirring themselves here and there. There were many city-states like these in the ancient world practicing the system of slavery. The most prominent ones were Memphis in ancient Egypt, the old Babylon in West Asia, Athens and Sparta in Greece, the old city of Rome in Italy and Carthage in North Africa. In China, the capital city of Yin in the Shang Dynasty had a population of 100,000 people, with royal palaces, residences of the nobility, shops making bronzeware, bone products, pottery and jade products and markets selling these items. Kaoching and Loyi of the Chou period were big cities well-known at the time. Many metropolitan centers appeared during the Warring States period following the transition of the slave system to the feudal system and the development of industry and commerce. Lintzu in the state of Ch'i then had a population of 70,000 households, with the slave owners leading an extravagant and decadent life. In contrast to the thriving cities, the countryside was isolated, scattered, backward. Living in thatched sheds in desolate surroundings were multitudes of destitute slaves and poor people. Economically, the antagonisms between town and country likewise resulted in cultural polarity, "plunging the rural population into centuries-old ignorance."

The antagonisms between town and country essentially means class antagonisms. During the period practicing the system of slavery, the slave owners or town dwellers were called "scholars" while the slaves inhabiting the countryside were called "country-men." The former as a general rule looked down upon the latter, who in turn deeply resented the former. In slave uprisings, therefore, the slaves invariably unleashed fierce attacks on the big cities in which the slave owners had entrenched themselves. The slave owners had to mobilize enormous manpower and material resources for the purpose of erecting walls around the cities. These fortified walls and waterways outside the cities, with the royal palaces surrounded by imperial cities, both in form and in substance distinguished town from country, a demonstration of the irreconcilable antagonisms between town and country.

The evolution of the human society from the slave system to the feudal system, during which the antagonism between landlords and peasants had replaced that between slave owners and slaves, the antagonisms between town and country took on new class content. The flourishing of feudal cities was the product of feudal economic development. Many cities in China's feudal era were developed on the basis of those cities built in slave society, though some were built as a result of commodity production and commodity exchange, including the needs of external trade. The city of Changan during the T'ang period, measuring 18 li from east to west and 15 li from south to north and having scores of crisscrossing streets, was the largest feudal city in the world at that time. The cities of the Sung period were more developed than those built in the T'ang period, with a rise from a dozen T'ang cities to more than 40 during the Sung period, the populations of these cities in excess of a hundred thousand. A Sung famous dynasty painting handed down to the present vividly depicts the bustle of commercial activity in the streets of Pienliang, capital city of Northern Sung. Famous European big cities built by the slaves had then declined following the collapse of the Roman Empire and the Germanic incursions. However, with the development of the handicraft industry and commodity production, markets began to take shape near fortifications or intersections of principal thoroughfares, eventually to become trading cities where merchants, handicraftsmen and fugitive serfs congregated. This is how European cities such as Venice, Cologne and Paris came into being. Under the feudal rulers these feudal cities with their commodity production and use of money prospered and surpassed those cities built by the slaves. To a certain extent they produced an impact on the domination of the natural rural economy.

Dominating these feudal cities, whether in China or in Europe, were the forces of feudal landlords who owned large tracts of land in the countryside by means of exploitation. Since the development of the economy based on commodity production had whetted the appetite of feudal landowners, they steadily stepped up the exploitation of the peasants. "The cities exploit the countryside by their monopolistic prices, their systems of taxation and levies, their guild institution, their direct deceitful practice in doing business, and their usurious interest rates." The impoverished peasants therefore managed to eke out a bare existence in backward circumstances. The enormous material wealth they had created was hardly enough to satisfy the insatiable landlord class. According to an account recorded in The Vicissitudes of An Eastern Capital, the Northern Sung capital city of Pienliang boasted of practically everything, such as palaces, courts gardens, restaurants, establishments where prostitutes were kept, and shops offering sundry goods. In this city the landowners from Sung Hui-tsung down lived in utter abandonment and debauchery. In the broad countryside, however, tens of thousands of peasants lived in poverty and destitution. One poem about the suffering peasants graphically describes the sharp antagonisms between town and country, arising from the brutal exploitation of the peasants by the landlord class. The resistance put up by the peasants forced the feudal rulers to fortify their cities with high walls and deep moats. Another verse about these fortified cities

brings out the irreconcilable antagonisms between town and country and class antagonisms.

Under the capitalist system this antagonism has sharpened as never before. Engels said: "Capitalist society has not been able to wipe out this antagonism and instead has sharpened it." From the primitive accumulation of capital, capitslism has been linked in many ways with the antagonisms between town and country. In the marking of land which began in England at the end of the 15th century, the new nobility turned bourgeoisie forcibly marked the land belonging to the peasants because of the rising prices of wool and flourishing of the woolen textile industry. This move to convert agricultural land into pasture-land displaced the peasants, causing them to drift from one place to another and forcing them to become wage laborers. A saying which gained currency at the time described the sheep "eating up" man. Actually, it referred to the bourgeoisie. The entire course of development pertaining to the capitalist operation of industry, commerce and finance marked the course of the peasants suffering plunder, going bankrupt, and drifting into the cities to become wage laborers. The development of capitalism was therefore inseparable from the despoliation of the peasants and the rapid expansion of the big cities. In the 19th century the number of big European cities with populations in excess of a hundred thousand rose sixfold. Urban populations in the US in 1801 comprised a mere 4 percent of the population of the whole country, but jumped to 51 percent by 1921. The more developed the capitalist cities and industrial centers, the sharper the antagonisms between town and country becomes. Most big capitalist plants are built on the ruins and bankruptcy of large numbers of cottage-type handicraft industry and agriculture. In sharp contrast to the towering skyscrapers are the low and simple mud huts and sparsely populated plains in the countryside. The bourgeoisie resorts to the ever deepening class exploitation and class oppression to aggravate the antagonisms between town and country.

In the woe-be-gone old China the antagonisms between the big cities and the broad countryside was symbolized by Shanghai, where lights glittered and hobnobbing went on late into the night. This was not only characterized by the capitalist city's domination and exploitation of the countryside but stamped with the brand of semi-colonial evils. Imperialism brought its goods to China and turned it into an outlet for its industrial products. In making Chinese agricultural production subordinate to imperialist needs, imperialism at the same time turned China into a producer of raw materials. Imperialism fostered the comprador class which served its needs and made that class money-lenders charge usurious interest rates, for the purpose of facilitating its exploitation of the vast numbers of the Chinese peasants and the masses of the people. Behind the abnormal development of bustling streets in Shanghai and other big cities was the bankruptcy of the vast numbers of rural peasants, who drifted into the cities and were forced to sell their labor power cheaply.

In the wake of the victory of the new democratic revolution, under the guidance of Chairman Mao's revolutionary line and following

the great socialist transformation, the relationship between town and country in China has undergone profound changes. The antagonisms between town and country based on class exploitation and class oppression no longer exist today. The establishment of the socialist system of ownership by the whole people and the system of collective ownership in cities and the countryside has fostered a new relationship between town and country and between industry and agriculture that is mutually supporting and mutually promoting. However, since socialism emerges from the capitalist society, it "has to incorporate the characteristics or traits of the economic structures of the two societies." As such it still keeps the birthmarks of the old society with regard to various aspects, including the relationship between town and country. The workers and peasants still belong to two different laboring classes, with the cities basically practicing the system of ownership by the whole people and the countryside adhering to the system of collective ownership. The existence of two different ownership systems renders the existence of commodity production, exchange by means of money and distribution according to work inevitable. All these are bound to find expression in the relationship between town and country. Therefore, the differences between town and country in terms of production level have a bearing on the differences in the economic, cultural and living levels of the laboring people in town and country. Deep-rooted in the minds of many people are the old ideas and the force of old habit which belittle the countryside, despise the peasants, long for the big cities and show an unwillingness to settle in the rural areas. All this tells us that the differences between town and country and the idea of bourgeois right which reflects these differences still exist in socialist society. As long as classes have not been wiped out the differences between town and country will continue to exist.

It is particularly worth noting that because the danger of capitalist restoration exists in socialist society, the differences between town and country may develop into new antagonisms between town and country. The existence of the differences between town and country, those between worker and peasant, and those between mental and physical labor provides conditions for engendering the system of private ownership and restoring capitalism. The differences between town and country provide a means for capitalist elements in town and country to collaborate with one another and to attack socialism. Certain small producers precisely take advantage of the differences between town and country to develop capitalist forces and become new bourgeois elements. This tendency is even more apparent among sectors coordinating big cities and the countryside. Once capitalism is restored, new antagonisms between town and country will reappear. The all-round restoration of capitalism in the Soviet Union provides us with profound historical lessons. The Soviet revisionist renegade clique has turned proletarian dictatorship into bourgeois dictatorship. It has replaced the socialist system of ownership by the whole people and collective ownership by a new type of bureaucratic and monopolist capitalism, thereby radically altering the relationship between town and country in the Soviet Union. The vast Russian countryside, particularly villages in Ukraine, Byelorussia, and Central Asia inhabited by the minorities, has become the object of bloody despoliation by a

handful of monopolist bourgeoisie. The tragic rural scene in the days of the old tsars has reappeared in the Soviet Union today. To "live like human beings," Soviet peasants have drifted into the cities. According to Soviet publications, between 1959 and 1970 the exodus from the rural areas averaged 1,500,000 each year, rising to 2,000,000 annually in recent years. In some places "the whole village was depopulated," making it very difficult for many farms to "enlarge reproduction." This shows the acute extent of antagonisms between town and country in the Soviet Union! All class enemies vainly trying to restore capitalism invariably take advantage of the differences between town and country to unleash attacks on socialism. The Lin Piao anti-Party clique desperately attacked the socialist new-born things, such as the integration of intellectuals with the workers and peasants, the rustication of educated youths and the "May 7" cadre schools, with the sinister objective of aggravating and widening the differences between town and country, fostering the resurgence of capitalist forces in town and country, and vainly trying to restore in China big bourgeois fascist dictatorship.

The historical experience of class struggle at home and internationally tells us that gradually reducing the differences between town and country is fraught with vital significance for consolidating the socialist system. Great leader Chairman Mao has always attached considerable importance to the question of restricting, reducing and eliminating the differences between town and country. As far back as the eve of the inauguration of the People's Republic of China, Chairman Mao pointed out: "Consideration must be given to both town and country by closely integrating urban work with rural work, the workers with the peasants, industry with agriculture. The countryside in no way should be abandoned in favor of the cities." The basic line of continuing the revolution under the dictatorship of the proletariat, laid down by Chairman Mao for our Party, provides reliable guarantees for building socialism and preventing capitalist restoration, as well as for restricting, reducing and eliminating the three major differences. Chairman Mao also formulated the general guiding principle for the national economy -- "developing industry and agriculture simultaneously" and "taking agriculture as the foundation and industry as the leading factor." Guided by Chairman Mao's revolutionary line, new-type socialist industrial centers like Tach'ing, which integrates the workers with the peasants and town with country, and a socialist new countryside like Tachai have appeared. The great proletarian cultural revolution and the movement to criticize Lin Piao and Confucius are of vital and far-reaching significance for restricting and reducing the differences between town and country and for making immense contributions to the narrowing of the three major differences.

To wipe out classes, Lenin once said, it was necessary not only to overthrow the landlords and capitalists but also to "eliminate the differences between the workers and peasants." He added: "This cannot be accomplished at one stroke. This is a most difficult task, inevitably a long-term task." Wiping out the three major differences, including the differences between town and country, is a long-term and formidable task, a task that will bring us unparalleled glory. Let us conscientiously

study Chairman Mao's important instructions concerning the question of theory, adhere to the Party's basic line and uphold continued revolution under the dictatorship of the proletariat. Let us wipe out the three major differences and strive to realize the matchlessly sublime cause of communism!

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